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# THE I/FAX

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ADMINISTERED BY ILLINOIS STATE TREASURER ALEXI GIANNOULIAS

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Contact us at [www.treasurer.il.gov](http://www.treasurer.il.gov) or 1-800-346-7414

SEPTEMBER 2007

Page 1 of 2

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Yesterday's Rates 9/16/07

## Money Market Fund

**4.950%**

## Prime Fund

**5.124%**

## Here's what people are saying about The Illinois Funds

"The Illinois Funds Money Market and Prime Fund are perfect investment solutions for local governments. Competitive yields, safety of funds and a competent staff willing to help, make the Illinois Funds a terrific complement to any investment strategy."

*Daniel J. Welch  
Treasurer  
Champaign County*

"As a banker, it gives me security to know that a small village like Kenilworth can enjoy the same returns on our tax revenues as large cities. Since there are no minimums required, we all receive the same interest rate, regardless of the balance in our account. In addition, the AAA rating assures me that our tax revenues are being invested in a prudent manner."

*T. Tolbert Chisum  
Village President  
Village of Kenilworth*

## MARKET PERSPECTIVE

With only a few days until the next Federal Open Market Committee, the Fed will likely cut the Federal Funds rate. Most of the speculation is focused on just how much the Fed will cut. This is a likely precarious position because a rate cut by the U.S. in the face of potential rate increases throughout the world will cause the dollar to fall even further. We believe our economy remains well within the bounds of what is reasonably considered stable and is not moving toward a recession. The question remains: have the problems in the mortgage markets been contained within those markets or do they threaten the market as a whole? At this point, most believe that they have been contained with minimal spillover. If this is correct, the short-term market gain will be more than mitigated by the fallout from cheaper money. Cheap money has essentially caused the problems that currently exist because it allowed lenders to discount risk to record levels. Further intervention by the worlds' central banks to relieve pressure created by the sub-prime fallout came when The Bank of England recently relaxed restrictions on financial institutions in an effort to encourage inner-bank lending. This move may not be technically as effective to worldwide markets or in particular European markets as it is sym-

bolic. The Bank of England was that last major holdout which recently said it would not go as far as the European Central Bank or the Federal Reserve in helping cope with the credit malaise because it didn't want to "encourage excessive risk taking."

Oil prices hit \$80 a barrel during recent trading, breaching significant psychological if not technical barriers. Wheat continues its climb approaching \$9 a bushel. This phenomenon brings into play a long debated discussion: Do rising oil costs lead to a slowdown in the economy? Some believe that it causes the economy to slow in the short term but results in inflationary pressure in the long run. In essence, people do adjust their lifestyle in the short term, but over time revert back to their comfort zone. Furthermore, if these costs continue to increase, businesses able to pass them on or add surcharges for the increased cost of oil will do so. These increases will generally amount to more than the actual increase, and are thus, inflationary.

The FOMC will have its hands full at the September 18<sup>th</sup> meeting. There are many symbolic reasons for them to cut rates; however, from an economic perspective, the reasons are debatable.

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## Symposium Reminder

This is your last-minute reminder for the Public Investors' Fall Financial Symposium at the Crowne Plaza Chicago O'Hare in Rosemont on September 20 and 21.

The State Treasurer's Office offers this

symposium at no cost, and registration is limited. For more information, call The Illinois Funds at (312) 814-8953. To register online, log on to: [www.treasurer.il.gov/Education/Symposium.aspx](http://www.treasurer.il.gov/Education/Symposium.aspx).



# Safety, Liquidity and Yield



Illinois Funds yields for the period ending 8/31/07

## Money Market Fund (Daily Liquidity)

## Prime Fund (7-day Liquidity) after 30-day minimum term

Net Portfolio Assets (in millions)	\$5,080	Net Portfolio Assets (in millions)	\$1,396
Monthly Investment Earnings (in 1000's)	\$20,837	Monthly Investment Earnings (in 1000's)	\$5,948
7 Day Yield*	4.92%	7 Day Yield*	5.19%
One Month Yield*	4.64%	One Month Yield*	5.15%
Net Asset Value (per share)	\$1.00	Net Asset Value (per share)	\$1.00
Weighted Average Maturity	6	Weighted Average Maturity	37
*Yield Net of Fees		*Yield Net of Fees	

## Monthly Public Sector Rate Comparison

The Illinois Funds, MMF	4.64%	The Illinois Funds, Prime	5.15%
S&P Govt Inv Pool-Govt Fund Index	4.93%	S&P Govt Inv Pool-Taxable Funds Index	5.15%
IL School Dist Liquid Asset	4.93%	IL School Dist Liquid Asset Max	5.08%
3 Month Treasury Bill	4.36%	3 Month Treasury Bill	4.36%
6 Month Treasury Bill	4.53%	6 Month Treasury Bill	4.53%

## Monthly Private Sector Rate Comparison

The Illinois Funds, MMF	4.64%	The Illinois Funds, Prime	5.15%
IMoneynet™ - Govt. Institutional	4.54%	Federated Govt Obligations	5.09%
Fidelity - 695 Treas Fund	4.61%	Fidelity - 57 Govt Fund	5.14%
Goldman Fin Sq Treas Fund - 468	4.53%	Goldman Fin Sq Govt Fund - 465	5.12%
30 Day Time Deposit	4.99%	90 Day Time Deposit	5.02%

## FUND COMPOSITIONS

### Money Market Fund

90.7% - Repurchase Agreements  
7.6% - Money Market Funds  
1.7% - Certificates of Deposit  
0.0% - Treasury Bills  
0.0% - Treasury Notes

### Prime Fund

58.8% - Repurchase Agreements  
2.1% - Certificates of Deposit  
6.4% - US Government Agencies  
0.7% - Money Market Funds  
32.0% - Commercial Paper

### E-Pay Account Rate

4.950% 9/16/07

1-866-831-5240

[www.illinoisepay.com](http://www.illinoisepay.com)

### Rapid Revenue Acct. Rate

4.950% 9/16/07

1-800-346-7414

Visit our website at [www.treasurer.il.gov](http://www.treasurer.il.gov) for further information.